



## Latvijas Republikas Valsts prezidenta kanceleja Prezidenta preses dienests

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### **Opening Remarks by Her Excellency Vaira Vike-Freiberga, President of the Republic of Latvia, at the seminar on Regional Co-operation in Northern Europe in the framework of the EBRD Business Forum in Latvian Society House, Riga, Latvia, 21 May 2000**

#### **Regional Co-operation in Northern Europe**

Dear guests,

Excellencies,

Ladies and gentlemen,

It is a pleasure to chair and to participate in this seminar. Regional cooperation in Northern Europe is essential for all of the countries in this region, including Latvia. We have a long history of regional cooperation and a long history of serving as a trade bridge between East and West.

This Meeting of the EBRD in Riga will establish a good basis for strengthening existing cooperative measures, and will provide inspiration for the creation of new ones. For those of you who come from outside of this region, the Meeting will offer a valuable insight into life on the rim of the Baltic Sea a region that the Economist magazine has called the most dynamic for growth in Europe.

#### Part I Regional integration

This seminar will focus on regional cooperation between the countries bordering the Baltic Sea, as well as Ukraine. The purpose of our deliberations will be to identify areas in which regional cooperation can be further enhanced, and to find ways in which this could be done.

During the last ten years, the transition countries in Northern Europe have opened to the world. This opening has provided a good example of the processes of globalisation and market reform, as well as regional integration, which will be vital for the future of the region and for the continued success of the transition process.

The transition countries of Northern Europe are in a position to exploit the benefits of regional integration, which have already resulted in increased investment, a greater trade volume, and better standards of living. For all concerned, regional integration offers real and new opportunities. I have no doubt that we are at the start of a new era of economic growth and prosperity. This will benefit both the East and the West, provided that we can maintain our progress.

A coordinated regional approach will be essential if potential opportunities are to be turned into further investment and growth within the region. This dynamic region can turn even more dynamic. In the medium-term, average real growth rates in Poland and the Baltic States have been estimated at 4 to 5%. With continuing progress in structural reform, Russia and Ukraine should also experience significant real growth.

#### Potential regional initiatives

In the Baltic Sea Region, the sectors that can benefit most from regional co-ordination include:

- energy,
- transport,
- natural resources,
- environment and nuclear safety,
- financial services,
- cross-border trade,
- and investment.

In the energy sector, close co-ordination will be necessary to develop efficient energy interconnections and electricity markets within the region. Latvia and Estonia have already begun serious negotiations regarding the integration of their energy systems. This is an important step in the right direction.

The regions transport infrastructure requires further development and investments. The leaders of the countries of the Baltic Sea region must agree on common priorities and common strategies for implementing selected key investments in the region. At the same time, bottlenecks in regional cooperation, such as slow border crossings and cumbersome customs procedures, impose high transaction costs and must be overcome. The infrastructure should be commercialised where possible in order to allow private financing to complement public resources.

In the natural resources sector, one objective is to secure the regional availability of resources such as oil and gas. A key challenge is to devise cost-efficient ways to transport such resources from Northwest Russia to the markets in the Baltic Sea Region and beyond.

In order to improve the environment and ensure nuclear safety in the region, we must clean up the environmental hot spots around the Baltic Sea and achieve a common approach to cross-border pollution and nuclear security. There are already many initiatives underway, and a key challenge is to support the implementation of existing decisions. In this context, we applaud Lithuania's decision to close Unit 1 at the Ignalina Nuclear Power Plant by 2005.

In promoting integration in the financial services sector, we should focus on cross-border cooperation and consolidation, increased competition, and the diversification of financial instruments. Bank mergers and acquisitions should be encouraged, as should the development of regional insurance and pension markets, and the establishment of regional stock markets.

Another aim should be to foster cross-border trade and investment in the region.

#### Part II - The Latvian Perspective on Co-operation in Northern Europe

Now, I would like to address the Latvian perspective on regional cooperation.

EU integration and Baltic Sea co-operation are mutually reinforcing processes.

Regional co-operation contributes to strengthening the entire European continent by:

- increasing the involvement of the European Union in Northern Europe;
- stimulating the enlargement of the European Union and NATO; and
- promoting regional economic development.

The election of a new President in Russia offers some hope that Russia's capacity to act as a stable partner will be enhanced. Serious concerns remain, however, about Russia's ability to strengthen its frail economy and to consolidate the implementation of democratic traditions and friendly relations with its neighbours.

The relationship Moscow chooses to have with the Baltic States will be a litmus test regarding its attitude toward freedom in general. We hope that a spirit of mutual understanding will prevail, as this would be in the interests of all concerned. Participation

in regional processes breeds much needed confidence for individuals, organizations, institutions and governments.

Latvia has supported the EU's Northern Dimension initiative from the moment it emerged because it is based on the reality of interdependence in our region.

Latvia values the Northern Dimension initiative as a means of harvesting the fruits of positive interdependence between the Baltic Sea region, the EU, and Russia, in line with a long-term development perspective.

Latvia wishes to see coordinated, mutually reinforcing co-operation, as well as active participation of all partners in regional co-operation on an equal footing.

Better co-ordination of regional initiatives and the creation of better conditions for implementing projects in regional fora will bring a clear added value to the EU's Northern Dimension initiative.

#### Latvia's contribution to regional co-operation and development

Latvia has already contributed by offering concrete projects and ideas in the framework of the Northern Dimension. We are ready to participate in the continuing process of implementing the Northern Dimension action plan, and in setting priorities of regional economic cooperation.

Taking into account the long-term strategic importance of the economic potential of Russia on the regional, European, and global scale, the transport and energy infrastructure of Latvia as a transit country is particularly important.

Latvia's transport and energy networks are linked to the East and to the West by:

Efficient ice-free ports;

A well-developed network of roads and railways;

Oil and gas pipelines;

The large underground gas storage facilities at Inčukalns;

A modern energy supply grid.

Regarding gas storage, Latvia could act as a seasonal regulator of natural gas supplies when and if a common Russian-European gas transportation system is constructed.

The building of a new oil pipeline from Russia to the port of Ventspils would be the most sensible from an economic point of view and the safest from an ecological point of view. A common approach involving coordination across the region could make decision-making more rational. It is not economically rational to be considering shipments via ports that freeze over during the winter when existing ports like Ventspils and Liepja are available.

I should mention in passing some other sectors with high development potential, such as information technology, forestry, financial markets, tourism and many others.

Co-operation among the Northern Dimension partner states, international financial institutions and other interested partners will lead to a more rational use of the resources and potential of each country, on the basis of fair competition and economic feasibility.

#### Conclusion

Latvia strongly supports the participation of private investors and international finance institutions that can demonstrate an ability to facilitate regional co-operation and cross-border projects.

The Northern Dimension has identified concrete projects and initiatives and there will be many more in the nearest future. These projects require new financial resources and creative financial arrangements. The EBRD and other financial institutions can take a lead in co-financing such projects.

We are looking forward to the EBRDs continued contributions to projects of regional importance, and we hope that the EBRD will continue to play a proactive role in fostering the development of the Baltic Sea Region.